

ACA Exchanges

Senate Business & Labor Committee Questions - March 5, 2013

1. What is the cost of the current Medicaid program?

The Department of Public Health and Human Services needs to answer this question. However, there are some cost estimates quoted in the BBER report on Medicaid expansion. (See Note #3)

2. What is the number of Montanans the exchange would benefit? (subsidies)

Up to 87,000 Montanans may qualify for advanceable premium tax credits (APTCs) in the individual market exchange; and up to 55,000 of those may, in addition, also qualify for cost sharing reductions (CSRs). (See Note # 1)

3. How many Montanans will fall into the individual mandate exemption?

There are two affordability exemptions available: (1) income is below the threshold for filing income taxes (\$9000/individual)—15,000 Montanans fall into that category; (2) the cost of health insurance exceeds 8 % of their income after the APTC is taken into consideration—up to 73,000 Montanans could opt out under this scenario. (See Note #2)

4. Will Native Americans be subject to the individual mandate penalty?

No.

5. How would the Indian Health Services policy on the decendency cap fit with individuals that are not tribally enrolled? There are 5th generation Indians that have decendency but are not tribally enrolled. Will they fall into the individual mandate exemption?

Unfortunately, the legal definition of "American Indian and Alaska native" is different in the ACA than it is in other parts of federal law. In order to qualify for the increased cost sharing reductions in the exchange, an Indian must be a member of a recognized tribe and must provide proof of membership (i.e. a tribe membership card). Different tribes have different membership requirements (i.e. 25% Indian blood).

6. How many private insurers will sell in the individual market exchange?

We will know more by May 1, 2013. Currently, we estimate 3 to 5.

Note #1

From the Bureau of Business and Economic Research (BBER) Montana's Health Insurance Market: Prospects for 2014 and Beyond, December 2012, available at <http://www.csi.mt.gov/health/reports.asp> :

The number of Montanans who purchase health insurance in the FFE (Federally Facilitated Exchange) is primarily determined by the number of uninsured (195,000) and the number of individuals currently covered in the individual health insurance market (54,000). The Congressional Budget Office estimates that almost 70 percent of the Exchange population nationally will consist of the uninsured. Applying this percentage to the number of uninsured in Montana, and assuming all uninsured were to enter the FFE, the Exchange population could reach almost 278,000. Some of the uninsured will not enter the Exchange, so this threshold population is considered a maximum. Of these 278,000, 87,000 may qualify for the advanceable premium tax credit (available to families with incomes under 400 percent of the federal poverty level) and 55,000 may also qualify for cost-sharing reductions (available to families with incomes up to 250 percent of the federal poverty level). Should the state of Montana decide against the Medicaid expansion, another 3,000 individuals may qualify for the advanceable premium tax credit and cost-sharing reductions available in the FFE (Feerally

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Facilitated Exchange). These 3,000 individuals are those with income levels between 100 percent and 138 percent of the federal poverty level who previously would have been eligible for the Medicaid expansion.

Montana's per capita income is 88 percent of per capita income in the U.S., and 65 percent of Montana families have incomes under \$75,000, or 340 percent of the federal poverty level, compared to only 59 percent nationally.

If Montana does not expand Medicaid eligibility, 37,000 Montanans will be too rich for Medicaid and too poor for the APTC and cost-sharing reductions available in the FFE. This population therefore will most likely remain uninsured.

Note #2

From the Bureau of Business and Economic Research [BBER] Montana's Health Insurance Market: Prospects for 2014 and Beyond, December 2012, available at <http://www.csi.mt.gov/health/reports.asp> :

Certain individuals will be exempt from the individual mandate if they meet one of two opt-out criteria. One exemption from the individual mandate is if income is below the tax filing threshold for filing income taxes, currently \$9,000 for an individual. The second exemption to the individual mandate is if the cost of health insurance exceeds 8 percent of their income, after taking into account the APTC available in the FFE. In Montana, 15,000 uninsured have incomes below the tax filing threshold, and are therefore exempt from the individual mandate to purchase health insurance. Another 73,000 uninsured could possibly opt-out of purchasing health insurance since their cost of insurance, even after APTC, could exceed 8 percent of their income. This assumes that the Congressional Budget Office estimate of premiums for a Bronze Plan will be between \$4,500 and \$5,000 for a single policy and \$12,000 and \$12,500 for a family policy. Not until individual income reaches \$56,000, or about 500 percent of the federal poverty level, do premium costs account for less than 8 percent of income.

Note #3

From the BBER Report: An Estimate of the Economic Ramifications Attributable to Potential Medicaid Expansion on the Montana Economy, available at <http://www.csi.mt.gov/health/reports.asp> :

In order to properly estimate the cost of the Medicaid expansion, two groups must be modeled. The woodwork effect population will receive the traditional federal medical assistance percentage (FMAP) over the course of the Medicaid expansion. The current FMAP for Montana is 66 percent, which means that for every dollar the state contributes toward the care of the Medicaid enrollee, the federal government contributes \$1.94.

For the remaining newly eligible Medicaid enrollees the FMAP is 100 percent during 2014 through 2016. The FMAP is then phased down until it reaches 90 percent in 2020. The phase down in the FMAP is gradual, 95 percent in 2017, 94 percent in 2018, and 93 percent in 2019. Starting in 2020 and thereafter, the state share of the FMAP is 10 percent for newly eligible Medicaid enrollees.

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Another critical variable in modeling the cost of the Medicaid expansion is the cost per member per year (PMPY). The Kaiser Family Foundation reports per enrollee spending for FY 2009 by type of Medicaid enrollee. Although the average spending per Medicaid enrollee is \$7,348 per year, spending varies from a high of almost \$23,000 per enrollee for the aged to \$2,900 per enrollee for children. Spending on adults is 60 percent of the average spending for all groups combined, or \$4,382. As a point of comparison, Mathematica Policy Institute estimates the cost per member per month (PMPM) for non-disabled adults in Montana during 2006 at \$735, excluding administrative costs, or almost \$9,000 annually. In-house analysis of Medicaid claims data for adults 18 to 64 years of age, for the period October 2010 to September 2011, indicates PMPM medical costs of \$641, and PMPM pharmacy costs of \$151, for a total PMPM cost of \$792. Annualized, the PMPY costs total \$9,504. A Montana Department of Public Health and Human Services (DPHHS) analysis of non-disabled Medicaid enrollees in 2009 estimates PMPM costs of \$825, or \$9,900 annually.

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